



Realty Stock Review

April 8, 1988 (Priced April 7)

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LEASEBACK REIT AND MLP GROUP REVIEW: EXPLOSIVE GROWTH AND HIGH YIELDS

We review this issue nine REITs owning properties leased back to others, and five publicly traded master limited partnerships (MLPs or PTPs). Two characteristics dominate this group:

--High yield: The 13 dividend payers yield 11.75%, half again as high as the 7.6% average yield for 14 equity trusts reviewed Mar. 11. For investors, the gut question is whether you can get hurt reaching for that extra 4%.

For one thing, the higher yielding stocks are probably a little more vulnerable to any upswing in interest rates. We don't think rates are likely to run away on the upside. So whether or not you reach for extra yield depends upon underlying business fundamentals.

--Health care industry: Eight of the 14 stocks reviewed are engaged in financing health care facilities, mainly thru purchase/leasebacks. Starting from ground zero in 1985, this group has grown into a \$2 bil. industry.

Investors buying health care REITs and MLPs are signing on as owners of special purpose properties with special risks which ought to be clearly understood. Investor concern over two risks is one reason for the higher yields:

A. Superheated growth. Here's a brief table showing asset and equity growth by nine major health financiers:

Stock	Assets	Eq.	% Chg.	Yld.
Amer. Hlth. Props.	\$267M	\$201	NO	11.1%
Angell Rl. Estate.	107	46	- 3%	14.1
Beverly Inv. Pr...	278	152	+16	13.0
Forum Ret. Part...	119	76	- 5	13.5
Health Care REIT.	182	70	+16	9.8
*Health Care Pr..	324	162	+ 6	9.2
HealthVest.....	390	226	+134	12.2
Hlth. & Rehab. Pr.	137	83	+111	13.0
Meditrust.....	309	156	+42	9.6
TOTALS.....	\$2,113M	\$852M	+52%	11.7%

*Reviewed Feb. 12, 1988.

Health care REITs emerged to provide off-balance sheet financing for their sponsors but quickly became financiers for third-party operators. EPS are mainly influenced by leverage and spread. The medical field is hot and venture capital investors are entering rapidly; some are borrowing from the health care REITs (see Health Care REIT review). Despite all the growth predicted for health care, market saturation could hurt some REIT financings.

B. Rules changes and competition. Medicare and Medicaid are the two biggest sources of patient funds to pay nursing home and hospital charges. Faced with soaring costs, Medicare and Medicaid have been and continue to revise reimbursement rules to limit costs.

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KENNETH D. CAMPBELL, PRESIDENT/FAYE KREISMAN, STATISTICS/MICHAEL HOUSTON, ANALYST/AUDIT INVESTMENTS, INC.,
136 SUMMIT AVENUE, MONTVALE, NJ 07645-1720 Phone (201) 358-2735

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS; SUBSCRIPTION \$264 ANNUALLY/GROUP RATES ON REQUEST

AMERICANA HOTELS & REALTY CORP.

\$13.63 (AHR-NYSE) Div. None Yld. 0.0%
5.03 mil. sh. **RANK C**

AHR holds C Rank. An owner of commercial and resort hotels, AHR plans to liquidate over the next 1-2 years and distribute net proceeds, perhaps beginning in the Dec. 1988 qtr. Shareholders vote June 16 on the plan. AHR had been recovering from earlier problems.

EPS/Dividends-C (Dec. yrs.):

Year	Op.EPS	CFS	Div.	Yld.Range
1984....	\$2.47	\$2.47	\$2.45	12.1-8.9%
1985....	(0.41)	(0.41)	1.75	18.2-6.1
1986....	(0.42)	(0.39)	None	d - d
1987....	0.25	0.25	None	NC - NC
1988E...	NE	NE	None	NC - NCz
5-Yr.Gr.	NM	NM	NM	z-To date.

AHR returned to profitability in 1987, mainly because no additions to the loss reserve were needed. AHR added 69¢ to reserves in 1986. Overall occupancy on AHR's 2,798 hotel rooms slipped a bit to 64.0% from 64.2%, with a 17% occupancy gain at Americana Hotel, Kansas City, offsetting an 11% decline at Howard Johnson at Newark, N.J. airport.

New advisor and operating supports:

AHR is managed by a subsidiary of Property Capital Trust's advisory company (PCA), hired to unwind relationships with AHR's initial sponsors, Bass Bros. Enterprises and its Americana Hotels Corp. (AHC). AHR's troubles began when AHC's guarantees to support operating cash flow deficits expired. The new advisor holds options on 1.46 mil. shs. (22% of shs. if exercised) at \$10.63.

Assets and Operations: Following March sale of a foreclosed hotel, AHR now owns five hotels with 1,770 rooms, including two foreclosed units held for sale. AHR also has mortgage loans and leasebacks on three commercial hotels with 852 rooms (in Wilmington, N.C. and JFK and Newark airports, New York City).

Financial Measures - C: AHR winds up with \$22.0 mil. debt, or 0.3 times \$82.5 mil. equity, equal to \$16.33/sh. AHR bought 637,000 shs. at \$10.55 in 1987 and Baupost Group, investment partnership with links to Harvard Business School profs, has bought 10.8%.

Recommendation: AHR now is an arbitrage upon liquidation at book value.

Address: 535 Boylston, Boston, Mass. 02116. (617) 247-3358.

AMERICAN HEALTH PROPERTIES INC.

\$18.00 (AHE-NYSE) Div. \$2.00 Yld. 11.1%
11.09 mil. sh. **RANK B**

Sponsored by American Medical Intl. (AMI-NYSE), AHE owns a portfolio of Sunbelt acute care hospitals net leased to AMI. AHE plans to become an independent REIT owner of health facilities. AHE sold 10.0 mil. shs. at \$20 in 2/87.

EPS/Dividends-C (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1987....	\$1.34a	\$1.78a	\$1.72a	14.9- 9.0%
1988E...	1.55	2.05	2.00	13.4-10.8z
5-Yr.Gr.	NM	NM	NM	z-To date.

a-Approx. 10.5 mon. beginning Feb. 20.

In a shortened first year, AHE's net funds available for distribution, after 50¢ depreciation and 5¢ mortgage paydown, were \$1.78/sh. Operations of net leased hospitals were strong and covered minimum rentals 2.5 times, regarded as strong coverage. Some portion of 1988 payout will be taxfree return.

Assets and Operations: AHE initially bought from AMI seven acute care hospitals with 1,609 licensed beds for \$271 mil. appraised value or \$168,400/bed. AMI operates the hospitals under guaranteed leasebacks at 11.6% of purchase price. Beginning in 1988, AHE will get 5% of incremental rents over 1987 minimum base rents. Hospitals had about 13% revenue rise in 1987, with outpatient services strong. Centers, beds, cost and minimum rents:

Center/City	Beds	Mil.\$	Rents
Kendall Ctr., Miami....	412	\$60M	\$7.0M
Palm Bch.Gar., Fla.....	204	45	5.2
N.Fulton, Roswell, Ga....	175	25	2.9
Frye Ctr., Hickory, NC...	275	40	4.6
Lucy Lee, Poplar Blf, MO.	201	20	2.3
Presbyterian, Aurora, CO.	134	26	3.0
Tarzana (Cal.) Reg.Ctr..	212	55	6.4

TOTALS.....1,609 \$271M \$31.4M

Financial Measures: Debt of \$58.9 mil. is 0.3 times \$201.3 mil. equity or \$18.65/sh. including 49¢ depreciation. Debt includes \$39 mil. credit from AMI, only floating rate debt. AMI owns 9.8%.

Exposure: Acute care hospitals are under increasing pressure from Medicare cost containment and outpatient facilities. AHE's hospitals show strong outpatient revenue growth; shares are strong income and growth holds.

Address: 9665 Wilshire, Beverly Hills, Cal. 90212. (213) 276-6245.

ANGELL REAL ESTATE CO.

\$10.75 (ACR-NYSE) Div.\$1.52 Yld. 14.1%
3.55 mil. shs. **RANK B**

ACR owns 74 nursing homes with 4,866 beds in the Midwest and Southeast, all net leased to independent operators, mainly Beverly Enterprises (BEV-NYSE). ACR converted from MLP to REIT status in Jan. 1988. It initially sold 3.5 mil. LP units at \$16 on Oct. 21, 1986. We are Ranking shares at B.

EPS/CFS/Dividends - B (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1986...	(0.20)a	\$0.09a	\$0.26	1.9- 1.6%
1987....	0.25	1.65	1.50	15.6- 9.4
1988E... NE	1.75	1.54-6	15.5-12.6z	
5 Yr.Growth.	NM%	NM%	z-To date.	

a-Initial period from June 30, 1986.

Operating cash flow was strong in 1987 and scheduled lease increases will add about 6¢ sh. to 1988 gross revenues. ACR debt contains interest rate caps, mitigating interest rate risk. The \$1.52 payout rate seems sure, barring major troubles with operators, and could rise a bit. About 80% of 1988 payout is expected to be taxfree capital return.

Assets and Operations: ACR initially acquired 65 nursing homes in Ind., Ill., N.C. and Fla. with 3,831 beds for \$105.9 mil. (or \$27,640/bed). Homes were net leased back to operators as follows: 58 homes with 2,376 beds to Beverly; two properties with 275 beds to Angell Care Inc. (private); and 5 homes with 1,180 beds to two independents. Beverly and Angell Care guarantee their leases. Homes are leased for \$12.2 mil., or 11.5% on cost, plus percentages of revenue increases over base rents and cost of living increases.

Recent development: In Mar. 1988 ACR acquired nine facilities with 1,035 beds for \$27 mil. (\$26,090/bed). Homes are in N.C., Tenn., Color. and Ill. All are net leased to Angell Care Inc.

Financial Measures - C: Debt of \$58.4 mil., borrowed and assumed, is 1.2 times \$46.3 mil. equity or \$14.47 sh. including depreciation. \$31 mil. debt floats to a 10.4% cap.

Exposure: Beverly Enterprises, largest lessor, default risk is believed minimal. New homes add 5¢ sh. to cash flow. Shares are buy/holds.

Address: Box 48, 915 W. Fourth St., Winston-Salem, NC 27102. (919) 723-7580.

BEVERLY INVESTMENT PROPERTIES, INC.

\$18.13 (BIP-NYSE) Div.\$2.36 Yld. 13.0%
8.20 mil. shs. **RANK C**

BIP owns 110 nursing homes and other health facilities with 13,100 beds. All but four are net leased to Beverly Enterprises (BEV-NYSE), BIP's sponsor and largest U.S. nursing home operator. BE has encountered earnings reversals, depressing BIP stock and in turn limiting capital raising needed to sustain portfolio growth. BIP last raised capital by selling shares at \$25.25 in Aug. 1986. Shs. are C Rank.

EPS/CFS/Dividends - A (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1986...	\$1.62	\$2.20	\$2.13	11.1- 7.3%
1987....	1.57	2.38	2.30	14.3- 8.9
1988E... NE	2.45-55	2.40	13.5-11.8z	
3 Yr.Growth.	+6.6%	+6.2%	z-To date.	

BIP net income rose 19% in 1987 but EPS fell 3% due to more shares outstanding. Operating cash available per share rose 8%. BIP pays about 97% of available cash as dividends. About 33% of 1987 payout was taxfree.

Assets: BIP owns 110 health care facilities with 13,100 beds, widely diversified in location. Average cost is about \$21,600/bed. BIP leases all but four facilities back to Beverly under unconditionally guaranteed net leases giving BIP initial 12.3% to 12.8% yields plus additional rent keyed to rises in the consumer price index after 1986. Nursing homes are about 92% occupied now and about 25% of payors are private, the rest Medicare and Medicaid.

With BE under financial pressure, it's possible BE might assign some leases to third parties; default is not expected since the homes are profitable.

Financial Measures - B: Debt of \$120.3 mil. at Sept. 1987 was 0.8 times \$151.5 mil. equity, equal to \$19.58/sh. including \$1.09 accumulated depreciation. While most bank debt is floating rate, BIP holds rate caps at the 9.0-9.5% levels. BE owns 3.6% of shares.

Exposure/Recommendation: New investments add to cash flow and dividends; if portfolio growth slows as seems likely, then BIP may be forced to slow its dividend growth now running at 1¢ sh. each qtr. We would hold shs.

Address: 99 S. Oakland Ave., Pasadena, Cal. 91101. (818) 405-0195.

EASTGROUP PROPERTIES

\$21.38 (EGP-ASE) Div. \$2.60 Yld. 12.2%
2.61 mil. shs. RANK B

EGP holds B Rank in our review of this equity REIT that has some characteristics of a REIT mutual fund. Leasebacks have been gradually sold over the years. EPS and dividends vary.

EPS/CFS/Dividends - B (Nov. yrs.):

Year	Op.EPS	Cap.Gns.	Div.	Yld.	Range
1984...	\$3.09	\$6.59	\$3.60b	10.8-	9.2%
1985....	2.70	1.70	6.96b	23.0-	17.4
1986....	2.36	0.74	4.17b	15.3-	12.5
1987....	1.92	0.59	2.90b	14.8-	9.1
1988E...	NE	NE	2.60	12.8-	11.4z

5 Yr.Growth. NM -10.8% z-To date.
 b-Incl. cap gains: '84-\$1.23; '85-\$4.35; '86-0.96; '87-1.37; average 45%.

Operating EPS fell 19% to \$1.92 in fiscal 1987, largely because of lower leaseback rents and investment interest on an 8.5% decline in average assets. A development joint venture near San Francisco lost about 24¢ sh. and EGP is discussing selling. More unpredictable gains on property sales fell to 59¢ sh. EGP has four sales in process to generate nearly \$3/sh. gains but needs to locate suitable exchange properties.

Assets and operations: EGP's invested assets of \$44.9 mil. (before \$3.5 mil. loss reserve) have trended down and EGP's major challenge is to find new assets whose yield equals those being sold. Investments are 35% earning land purchase/leasebacks; 19% earning real estate owned; 10% earning mortgage loans; 14% nonearning property and mortgages; 13% investment in partnerships; and 9% investment in REIT securities. Land/leasebacks cover 25 properties, mainly apartments and shopping centers.

EGP's \$4.1 mil. of REIT stock at cost, which approximates market, includes 38.3% of **EastPark Realty** (managed in common with EGP in the Eastover group); and 13.4% of **First Continental REIT**, written down by \$1.4 mil. in 1987.

Financial Measures - A: Mortgage debt of \$0.4 mil. is a negligible 0.01 times \$48.9 mil. equity, equal to \$18.76/sh. Liquidity is good.

Exposure - B: EGP must find new investments, else it is slowly liquidating. Shares are for yield.

Address: Box 22728, 300 One Jackson Pl., Jackson, MS 39201. (601) 948-4091.

HEALTH CARE REIT

\$17.88 (HCN-ASE) Div. \$1.76 Yld. 9.8%
5.81 mil. shs. RANK A

HCN finances construction and start up of smaller nursing homes, mostly in the Midwest, by making land/leasebacks meant to be repurchased via options in 6-10 years. It is expanding into retirement units. HCN uses modest leverage and periodically sells stock to raise new capital. EPS and dividends have grown long-term.

EPS/CFS/Dividends - A (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.	Range
1984...	\$1.72	NA	\$1.31	13.5-	9.9%
1985....	1.64	NA	1.46	11.8-	8.5
1986....	1.60	1.71	1.54	12.0-	8.1
1987....	1.89	1.91	1.65	12.1-	9.0
1988E...	2.00	NE	1.80	12.0-	9.8z

5 Yr.Gr.+3.8% +8.3% z-To date.

EPS rose 18% from a depressed 1986, when costs of taking over and reselling six repossessed Texas homes cost 14¢. Because four lessees exercised repurchase options, 3% (or 5¢) of 1987 dividends was capital gains.

Assets & Operations: HCN owns or provides financing for 77 health care facilities comprising 7,228 nursing care beds and 813 retirement units. Invested assets rose 17% to \$177 mil., divided 59% direct financing leases, 34% mortgage loans, and 7% property owned or held under operating leases. Originally a financier of mom and pop nursing homes in Ohio, HCN now is financing many fast growing operators with 500 to 1,500 beds and venture capital backing. HCN provided leaseback or mortgage financing to ten facilities with 928 nursing beds and 92 retirement units in 1987.

Lease rents rise yearly to offset inflation and repurchase option prices increase 2%/yr. over purchase price.

Financial Measures - A: Debt of \$109.3 mil. is 1.57 times \$69.8 mil. equity, equal to \$12.01 per sh. at Dec. 1987. Debt includes \$61.3 mil. fixed-rate notes and mortgages collateralized by properties, and \$48 mil. borrowed under a \$50 mil. credit line.

Exposure/Recommendation: Unlike most leaseback REITs, HCN seeks higher yield instead of equity kickers. Shares are buy/holds for long-term growth.

Address: One SeaGate, #1950, Box 1475, Toledo, O. 43603. (419) 247-2800.

HEALTHVEST

\$20.63 (HVT-ASE) Div. \$2.52 Yld. 12.2%
11.66 mil. shs. **RANK B**

HVT was organized in May 1986 to own hospitals and other health facilities operated under lease by its sponsor, Healthcare International Inc. (HII-ASE). HVT has grown rapidly to own over 2,000 beds and dividends have increased. We are Ranking shares B.

EPS/CFS/Dividends - B (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1986....	1.05a	1.25	1.25	a11.1- 9.4%
1987....	2.01	2.44	2.34	15.6-10.1
1988E...	2.18	2.60	2.56	13.6-12.1z
3 Yr.Growth.	+10.2%	+8.76%	z-To date.	

a-For 7 mon.; CFS and yld. annualized.

HVT revenues and net income rose sharply on a 134% increase in total assets. Revenues equaled 12.5% on average assets, but debt cost only 7.5% average, returning 5.0% spread to HVT. Operating cash flow, including depreciation, was \$2.44/sh. Payout was about 15% taxfree return of capital.

Assets and Operations: HVT expanded invested assets to \$386.3 mil. in 1987, divided 26% participating mortgages and 74% ownership of facilities net leased. HVT owns or has loans on 13 hospital/-treatment facilities with 1,844 beds at \$191,200 cost/bed; two nursing homes with 247 beds at \$65,600/bed; and a clinic for 60 medical specialists. Properties by cost are 54% psychiatric, 29% general health, 9% rehabilitation, 5% nursing homes, and 3% clinic. Properties are located 55% in Texas, 15% Calif., 14% Tenn., 5% each Fla. and Col.; 3% each Okla. and Haw. Patients are over 50% private payors.

Leases provide for rent at 13.62% of cost plus additional rent of 7.5% of revenue gains over a base year. Three facilities are leased to third parties.

Financial Measures - B: Debt at Dec. 1987 of \$162.1 mil. is 0.7 times \$225.7 mil. equity, equal to \$19.84/sh. including 48¢ accumulated depreciation. HII owns 9.8% of shares and advises. Most debt is a bank credit floating with prime but HVT has hedged most rate risk.

Exposure: Assets are invested in specialized health-care facilities; growth has been measured. Buy/hold.

Address: 9737 Great Hills Tr., Box 4008, Austin, TX 78765. (512) 343-5234.

HEALTH & REHABILITATION PROPS. TRUST

\$8.63 (HRP-NYSE) Div. \$1.12 Yld. 13.0%
9.59 mil. shs. **RANK C**

HRP owns health facilities specializing in head trauma and pulmonary rehabilitation, substance abuse, adolescent psychiatry, and skilled and intermediate care. It is sponsored by principals of Greenery Rehabilitation Group Inc. (GRGI-OTC) and Continuing Health Care Corp. (private) but net leases facilities to other operators. We are Ranking shares C.

EPS/CFS/Dividends - A (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1986...	\$0.02a	0.03	\$0.025	NM- NM
1987....	0.85	1.07	1.06	15.7- 6.6%
1988E...	NE	1.25	1.14	15.4-12.3z
5 Yr.Growth.	NM%	NM%	z-To date.	

a-8 days; initial offering 12/23/86.

EPS fell in the final quarter of HRP's first year of operations but operating cash flow for distribution rose in the Dec. qtr. to 28¢ on a higher number of shares; total cash flow approximated payout of \$1.06/sh.

Assets and Operations: Using proceeds of a Nov. 1987 offering, HRP expanded portfolio to \$137.7 mil., divided 80% equity ownership of 13 properties with 2,007 beds (average cost \$55,022/bed); and 20% mortgages on four properties with 466 beds (loans averaging \$58,500/bed). About 87% of beds are skilled or intermediate care nursing homes, some providing specialized care; 6% are rehabilitation centers for head injuries; and 6% psychiatric centers. Beds are 46% Conn., 19% Mass., 14% Mich., 8% Ohio, plus four other states.

All are operated under lease or mortgage by Greenery, 28% of beds; Continuing Health Care, 26%; United Medical Corp., 6%; Horizon Healthcare Corp., 26%; and Care Centers of Mich., 14%. Leases provide for base rent plus overages geared to revenue gains.

Financial Measures - B: Debt of \$49.3 mil. is 0.6 times \$82.1 mil. equity, equal to \$8.57/sh. after HRP sold 2.75 mil. shs. at \$8 in Nov. 1987. Greenery owns 9.9%, Continuing 6.9%.

Exposure/Recommendation: Tho smaller, HRP is expanding a niche in specialty care facilities. Hold.

Address: 215 First St., Cambridge, Mass. 02142. (617) 661-3112.

MEDITRUST

\$19.50 (MT-NYSE) Div. \$1.88 Yld. 9.6%
15.72 mil. shs. **RANK B**

MT is a rapidly growing diversified medical REIT. Originally sponsored by Mediplex Group, Inc., subsidiary of Avon Products, MT owns properties net leased to third-party operators. MT planned to sell 5.0 mil. new shs. at press time.

EPS/CFS/Dividends - A (Dec. yrs.):

Year	Op.EPS	Op.CFS	Div.	Yld.Range
1985...	\$0.24a	\$0.31	\$0.31	NM- NM
1986....	1.17	1.61	1.58	12.3-7.9%
1987....	1.24	1.84	1.78	12.7-8.7
1988E... NE		2.02	1.94	10.0-9.1z
3 Yr.Growth.	+12.0%	+10.8%		z-To date.

a-From Oct. 17, after offer at \$13.33.

MT revenues rose 138% in 1987, with 93% of the gain due to additional properties; 4% from higher partnership distributions; and 3% from higher interest income. Higher interest and depreciation costs held net income to a 105% gain, and cash available for distribution per share rose 18% on more shares. Dividends are partly taxfree.

Assets and Operations: MT owns 30 facilities located in 14 states with 4,349 beds costing \$359 mil., including: 17 long-term nursing care facilities with 2,802 beds (avg. cost \$51,835/bed); four alcohol and substance abuse facilities with 509 beds (cost \$234,800/bed); three psychiatric with 230 beds at \$167,000/bed; five rehabilitation hospitals with 384 beds under construction at \$139,600/bed; and one retirement living facility with 320 units and 120 beds. Operating nursing homes are 96% occupied and 47% of patients are private payors.

All are leased to third-party operators at base rents plus, for most, percentages of revenue increases. Mediplex guarantees 17 leases; its leases yield 11.3% plus 5% of revenues gains.

Financial Measures - A: Debt of \$140.7 mil. is 0.9 times \$156.3 mil. equity, equal to \$15.26/sh. including 68¢ depreciation. About 78% of debt is mortgages on properties. **Current value** is estimated at \$50 mil. or \$3.18/sh. over book.

Exposure/Recommendation: MT is aggressively building a diversified portfolio of impressive size. Buy.

Address: 15A Walnut St., Wellesley, Mass. 02181. (617) 446-6996.

BURGER KING INVESTORS MASTER L.P.

\$14.63 (BKP-NYSE) Div. \$1.88 Yld. 12.9%
4.64 mil. units. **RANK C**

One of the first publicly tradable (or master) limited partnerships (MLPs or PTPs) via a Feb. 1986 offering, BKP has not been warmly received by investors because of concerns over property quality and sustainability of fast-food restaurant growth. Sponsor Burger King (subsidiary of Pillsbury: PSY--NYSE) announced but was unable to complete offering of a second MLP; BKP cannot acquire additional properties and operates for a finite life.

EPU/CFU/Dividends - C (Dec. yrs.):

Year	Op.EPU	CFU	Div.	Yld.Range
1986....	\$1.21a	\$1.56a	\$1.58a	8.9-6.5%
1987....	1.37	1.83	1.88	15.3-9.0
1988E... 1.35		1.80	1.76	14.4-8.7z
2-Yr.Growth		NM%	NM%	z-To date.

a-For 10 mon.; offered 2/86.

In 1987, first full year of operation, BKP's revenues fell on a 2.8% sales decline on a comparable store basis. EPU declined 6% and CFU declined 5%, both on a comparative store basis. The current dividend is threatened by these results and a cut could occur in 1988 barring dividend support from future cash flow (BKP funded 5¢ and 2¢ of 1987 and 1986 payout from future cash flow) **General partners:** QSV Properties Inc. is GP and Burger King Corp. is a special general partner.

Assets and Operations BKP owns or has leasehold interest in a geographically diverse portfolio of 128 Burger King restaurant properties currently leased to BK franchisees. Sales by BKP's underlying franchisees have flagged despite new menu items and marketing campaigns from Burger King Corp.

Financial Measures - B: BKP has no debt with equity of \$86.8 mil. (\$18.72/un.)

Exposure: After years of diversification and (in hindsight) overextension, Pillsbury Corp., the parent corporation of BK, is pulling back and placing renewed emphasis on its flagship restaurant operation. If Pillsbury's efforts are successful it should translate into success for BKP. Until results clarify, we'd not be a buyer.

Address: 200 S. Sixth St., St.610, Minneapolis, MN 55402. (612) 330-8345.

EQK GREEN ACRES L.P.

\$11.50 (EGA-NYSE) Div.\$1.14 Yld. 9.9%
10.17 mil. units. **RANK B**

EGA came public at \$10/unit in Aug. 1986 and bought 1.38 mil. sq. ft. Green Acres Mall on Sunrise Hwy. in Valley Stream and Hempstead, L.I. about 1 mi. from the New York City line. Retail sales, rents and distributions by EGA have all exceeded expectations. Distributions are tax sheltered return of capital.

EPU/CFU/Dividends - B (Dec. yrs.):

Year	Op.EPU	CFU	Div.	Yld.Range
1986....	\$0.088	\$0.342	\$0.325	3.3-2.9
1987....	0.352	1.118	1.0675	14.2-9.1
1988E...	0.40	1.20	1.18	10.7-9.3z
2-Yr.Growth	NM%	NM%	z-To date.	

EGA's yield is equal to \$1.39 fully taxable payout under a 28% individual tax rate. EGA anticipates raising dividend each quarter of 1988 into 1989.

Asset: EGA's Green Acres Mall is anchored by Sears Roebuck, which owns its building subject to a ground lease, J.C. Penney, Stern's, and Abraham & Straus. Campeau Corp.'s recent purchase of Federated Dept. Stores (A&S's parent) could have long-term implications. Approx. 200 tenants occupy 622,700 SF mall and outparcel space. About 71% of space is occupied by national or regional tenants. EGA will lease basement storage space for additional rental income. Occupancy is at 99.5%.

Financing: EGA privately placed a zero coupon note with \$104 mil. face amount for \$44 mil. (\$42.9 mil. net cash proceeds). The note has a 10.4% implicit interest rate. In 1987 EGA borrowed \$2.8 mil. of \$5 mil. available on an unsecured revolving credit facility it established in Feb. \$8.62/unit equity includes accumulated depreciation.

Current value appraisal: EGA received an independent appraisal of Green Acres Mall at 1987 year end of \$200.6 mil. Net liquidating value based on this appraised value is \$13.31 per unit.

Exposure/Recommendation: This single-property LP continues strong show on strength of Long Island trade area. Future percentage rents and 13.6% discount to net liquidation value are the basis for strong buy at current price.

Address: 3 Bala Plaza E., Box 1565, Bala Cynwyd, PA 19004. (215) 667-2300.

FINE HOMES INTERNATIONAL L.P.

\$13.38 (FHI-NYSE) Div.\$2.25 Yld. 16.8%
29.4 mil. units. **RANK C**

FHI combines the residential real estate agency, mortgage banking and relocation services formerly owned by Merrill Lynch. FHI came public in June 1987 by offering 6.0 mil. preference limited partnership interests at \$18 per depository unit. Merrill Lynch, the seller retains 74.5% ownership with subordinated units.

EPU/Dividends - C (Dec. yrs.):

Year	Op.EPU	Div.	Yld.Range
1987.....	\$(0.55)	\$1.1374	11.7-5.9%
1988E....	NE	NE	---

FHI intends paying \$2.25/yr. to preference units; mortgage banking accounted for most 1987 losses and continued payout appears tied to restructuring of that operation.

Assets & Operations: Stamford, CT based FHI's three businesses are:

Real estate brokerage: FHI is one of the nation's largest residential real estate brokers with 15,300 sales associates in 430 offices in 19 states. It handled 131,000 property transactions in 1987 and earned \$8 mil. before income taxes on \$576 mil. total revenues. Pre-tax earnings however decreased 67% from 1986, largely on increased expenses.

Relocation management services: FHI is one of two leading firms in third-party relocation management, in which it acts on behalf of corporate clients to facilitate employee relocations. It assisted over 29,000 employee relocations in 1987 and earned \$23.4 mil. before taxes on \$81.7 mil. revenues. Pre-tax earnings represent an increase of 111% over \$11.1 mil. in 1986.

Mortgage banking: FHI is contracting out most mortgage banking operations. Essentially FHI will originate loans (\$807 mil. originations in 1987) to GMAC Mortgage Corp. GMAC in turn will assume all interest rate risks in warehousing such loans (which cost FHI \$12 mil. or \$0.40/un, in 1987), and service the loans. FHI will continue to originate mortgages in connection with its brokerage business.

Recommendation: Until cash flow turns positive, we'd wait on sidelines.

Address: 10 Stamford Forum, Stamford, CT 06901. Phone (203) 356-1400.

FORUM RETIREMENT PARTNERS L.P.

\$10.00 (FRL-ASE) Div. \$1.35 Yld. 13.5%
2.1 mil. units. **RANK C**

FRL is a partnership which owns rental retirement living centers built and managed by its sponsor, Forum Group Inc. (FOUR-OTC). FRL initially sold 5.0 mil. preferred depository units in Dec. 1986 at \$12.75. The Preferred units own 70.2% of the partnership. FOUR, a health care company, owns 57% of the common or 16.6% of the Partnership.

EPU/CFU/Dividends - C (Dec. yrs.):

Year	Op.EPU	CFU	Div.	Yld.Range
1987....	(0.10)	\$0.30	\$1.35	17.4-9.5
1988E...	NE	NE	1.35	14.2-7.8z
2-Yr.Growth		NM%	-0-	z-To date.

The common units do not participate in any distributions of net cash flow thru Dec., 1989. The Preferred units will receive \$1.35/yr. distributions (10.6% yield on offer price) thru 1989, which are not expected to be taxable. Beginning 1990 both classes of units will share in net cash flow.

Assets and Operations: FRL initially acquired 9 rental retirement living centers developed by FOUR and holds an option to acquire up to 15 more. FRL expects to acquire two or three in 1988. The Montevista at Coronado in El Paso was set for a Mar. 31 closing at an approx. cost of \$21 mil. The Remington Club at Rancho Bernardo (San Diego) and The Broadway Plaza at Cityview (Fort Worth) are under evaluation. FRL's centers combine living/nursing home facilities with 1,117 residential and assisted living units. Residential units were 74% occupied at 12/31/87, and nursing beds were at 81% occupancy, up from 62% and 71% respectively.

Financial Measures - B: FRL has \$33.7 mil. debt, or 0.4 times combined preferred and common equity of \$86.1 mil. Debt includes \$22 mil. taken against a \$50 mil. unsecured credit facility, due Dec. 1990. The preferred has no par or liquidating value. FRL's current value, as reported is \$126 mil. or \$15.88/un.

Exposure: FRL's 1988 cash flow probably will fall short of the \$1.35 preferred dividend. Occupancy is low, but long-term demographics favor FRL.

Address: 8900 Keystone Crossing Ste. 1200, P.O. Box 40498, Indianapolis, Ind. 40498. Phone (317) 846-0700.

INTERSTATE GENERAL CO. L.P.

\$7.25 (IGC-ASE) Div. \$0.60 Yld. 8.3%
9.63 mil. units. **RANK B**

Organized 30 years ago, IGC operates in four related real estate areas: community development, homebuilding, development and ownership of apartments, and property management. IGC came public Feb. 1987 by selling 2.0 mil. units at \$9. Big play is land appreciation at IGC's St. Charles, Md. community.

EPU/Dividend - B (Dec. yrs.):

Year	Op.EPU	Div.	Yld.Range
1987.....	\$1.05	\$0.52	11.6-3.9%
1988E.....	1.20	0.60	10.7-7.6z
2-Yr.Gr.	NM%	NM%	z-To date.

IGC's 1987 earnings are an 18% increase over 1986 pro forma results. IGC has nearly covered its 1988 dividend with the sale of its cable TV partnership in the Mar. 1988 qtr., adding approx. \$0.50/un. net to the bottom line.

Assets and Operations: IGC operates mainly near Washington, D.C. and in Puerto Rico. It is developing 6,000 ac. with a projected 21,000 lots in the planned community of St. Charles, Md., 23 mi. southeast of Washington, D.C. and 140 ac. suitable for 960 townhouses in Montclair, Va. planned community. IGC also provides management services for over 7,500 apartment units, and built and holds equity interest in 6,399 HUD-assisted apartments appraised at \$34.2 mil. (\$3.45/un.) over cost in the offering prospectus.

Financial Measures - B: Debt of \$29.4 mil. is 1.1 times \$27.3 mil. equity, or \$2.76/un. tangible value. Pres. James Wilson owns 41.3% of units.

Recent developments: In Mar., Melvin Simon & Assoc. began construction of a 1.1 mil. regional shopping center in St. Charles anchored by The Hecht Co., Montgomery Ward and Sears. In Jan. IGC's cable TV partnership sold its assets; IGC's share was \$5.5 mil. (approx. \$0.57/un. gross) plus \$6 mil. (6¢-7¢/un. yearly) over 10-12 yrs.

Exposure & Recommendation: IGC's strong land position and experience in apartment building and management reduce risk. We believe Washington D.C. is a strong growth area - now knocking on IGC's door. Stock is a long term buy.

Address: 222 Smallwood Vil. Ctr., St. Charles, Md. 20601. Ph: (301) 843-8600.